

- (2) TECHNICAL AMENDMENT.—Paragraph (8) of section 7872(f) is amended by inserting ", 643(i)," before "or 1274" each place it appears.
- (d) EFFECTIVE DATES.—
- 26 USC 668 note. (1) INTEREST CHARGE.—The amendment made by sub-section (a) shall apply to distributions after the date of the enactment of this Act.
- 26 USC 643 note. (2) ABUSIVE TRANSACTIONS.—The amendment made by sub-section (b) shall take effect on the date of the enactment of this Act.
- 26 USC 643 note. (3) LOANS FROM TRUSTS.—The amendment made by sub-section (c) shall apply to loans of cash or marketable securities made after September 19, 1995.

#### SEC. 1907. RESIDENCE OF TRUSTS, ETC.

- (a) TREATMENT AS UNITED STATES PERSON.—
- (1) IN GENERAL.—Paragraph (30) of section 7701(a) is amended by striking "and" at the end of subparagraph (C) and by striking subparagraph (D) and by inserting the following new subparagraphs:
- "(D) any estate (other than a foreign estate, within the meaning of paragraph (31)), and
- "(E) any trust if—
- "(i) a court within the United States is able to exercise primary supervision over the administration of the trust; and
- "(ii) one or more United States fiduciaries have the authority to control all substantial decisions of the trust."
- (2) CONFORMING AMENDMENT.—Paragraph (31) of section 7701(a) is amended to read as follows:
- "(31) FOREIGN ESTATE OR TRUST.—
- "(A) FOREIGN ESTATE.—The term foreign estate means an estate the income of which from sources without the United States which is not effectively connected with the conduct of a trade or business within the United States, is not includible in gross income under subtitle A.
- "(B) FOREIGN TRUST.—The term foreign trust means any trust other than a trust described in subparagraph (E) of paragraph (30)."
- (3) EFFECTIVE DATE.—The amendments made by
- 26 usc 7701 this sub-note— section shall apply—
- (1) to taxable years beginning after

December 31,  
1996, or  
(2)

to taxable

years ending after the date of the enactment of this Act.

at the election of the trustee of a trust,

Such an election, once made, shall be irrevocable.

(b) DOMESTIC TRUSTS WHICH BECOME FOREIGN  
TRUSTS.—

(1) IN GENERAL.—Section 1491 (relating to imposition of  
tax on transfers to avoid income tax) is amended by adding  
at the end the following new flush sentence:

"If a trust which is not a foreign trust becomes a  
foreign trust.

such trust shall be treated for purposes of this  
section as having

transferred, immediately before becoming a foreign  
trust, all of

its assets to a foreign trust."